

1984 WL 249976 (S.C.A.G.)

Office of the Attorney General

State of South Carolina

September 6, 1984

***1 SUBJECT: Taxation and Revenue—Property Tax on Motor Vehicles of the Federal Land Bank, the Production Credit Association and the Banks for Cooperatives.**

(1) Motor vehicles owned by the Federal Land Bank are exempt from property taxation.

(2) Motor vehicles owned by the Production Credit Association are subject to property taxation.

(3) Motor vehicles owned by a bank for cooperatives are subject to property taxation.

Honorable L. D. Williams
Marion County Auditor

QUESTION:

Are the motor vehicles of the Federal Land Bank, the Production Credit Association and the banks for cooperatives that are used in the conduct of their business exempt from property taxation?

APPLICABLE LAW:

12 U.S.C.A. § 2055, [12 U.S.C.A. § 2098](#), [12 U.S.C.A. § 2134](#).

DISCUSSION—As to Motor Vehicles of the Federal Land Bank:

The controlling language of the Federal statute relating to the taxation of property of the Federal Land Bank is that:

‘Every Federal land bank and every Federal land bank association * * * shall be exempt from Federal, State, municipal, and local taxation, except taxes on real estate held by a Federal land bank or a Federal land bank association to the same extent, according to its value, as other similar property held by other persons is taxed. * * *’ 12 U.S.C.A. § 2055. (Emphasis added)

The section was first enacted in 1916 and was formerly set forth in [12 U.S.C.A. § 931](#). The South Carolina Supreme Court considered the language of the former section as it related to the license tag fees for vehicles of the bank. [Federal Land Bank v. State Highway Department](#), 172 S.C. 174, 173 S.E. 284. The court held the same to be instrumentalities of the Federal Government and exempt from the license fee requirement. The court there further commented as follows:

“The familiar aphorism is ‘that, as the means and instrumentalities employed by the general government to carry into operation the powers granted to it are exempt from taxation by the states, so are those of the states exempt from taxation by the general government’.”

The motor vehicles are thus exempt from state taxation by express language of 12 U.S.C.A. § 2055. A further ground of exemption is that the vehicles are instrumentalities of the Federal Government and hence immune from state taxation. [United States v. New Mexico](#), 102 S.Ct. 1373 (1982).

CONCLUSION:

Motor vehicles owned by the Federal Land Bank are exempt from property taxation.

DISCUSSION—As to Motor Vehicles of the Production Credit Association:

The applicable language of the Federal statute relating to the taxation of property of the Production Credit Association is that: 'Each production credit association and its obligations are instrumentalities of the United States * * *. Such associations, their property * * * shall be exempt from all taxation now or hereafter imposed by the United States or by any State, territorial, or local taxing authority; * * * and, except that any real and tangible personal property of such associations shall be subject to Federal, State, territorial, and local taxation to the same extent as similar property is taxed. * * *.' [12 U.S.C.A. § 2098](#). (Emphasis added)

*2 Congress by this provision has waived the Federal Government's immunity from property taxation by the state and its political subdivisions of the real and tangible personal property of the association.

CONCLUSION:

Motor vehicles owned by the Production Credit Association are subject to property taxation.

DISCUSSION—As to Banks for Cooperatives:

The language of the Federal statute relative to the taxation of the property of a bank for cooperatives is found in [12 U.S.C.A. § 2134](#). The same is as follows:

'Each bank for cooperatives and its obligations are instrumentalities of the United States * * *. Such banks, their property, * * * shall be exempt from all taxation now or hereafter imposed by the United States or by any State, territorial, or local taxing authority; * * * except that any real and tangible personal property of such banks shall be subject to Federal, State, territorial, and local taxation to the same extent as similar property is taxed. * * *.' [12 U.S.C.A. § 2134](#). (Emphasis added)

As to such banks, Congress has by the above language waived the immunity of the Federal Government from state and local taxation of the banks' real and tangible personal property.

CONCLUSION:

Motor vehicles owned by a bank for cooperatives are subject to property taxation.

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